

STAFF MEASURE SUMMARY**House Committee On Energy and Environment****Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Action Date:** 04/09/15**Action:** Do Pass With Amendments, Be Printed Engrossed And Be Referred To Revenue By Prior Reference.**Meeting Dates:** 03/05, 04/09**Vote:**

Yeas: 9 - Bentz, Boone, Heard, Helm, Holvey, Johnson, Reardon, Vega Pederson, Weidner

Prepared By: Beth Patrino, Committee Administrator

WHAT THE MEASURE DOES:

Extends tax credit for production or collection of biomass used in Oregon as biofuel or to produce biofuel in Oregon from January 1, 2018 to January 1, 2022. Authorizes Oregon Department of Energy (ODOE) to adopt rules to further define criteria or characteristics of eligible biomass and verification of eligibility of biomass. Authorizes ODOE to adopt fee schedule for applications to recover anticipated costs of administering credits. Requires agricultural producer or biomass collector to hold title to eligible biomass at time of delivery to biofuel producer to apply for tax credit. Adjusts tax credit rates for some biomass. Authorizes ODOE to adopt rules to adjust tax credit rates once in any calendar year for some tax credits; adjustment may not exceed 25 percent of existing rate. Directs ODOE to consider market conditions for each feedstock when adjusting rates. Establishes tax credit for energy production by bioenergy facilities. Authorizes ODOE to adopt fee schedule for applications to recover anticipated costs of administering credits. Authorizes ODOE to enter into performance agreements with owner, operator or lessee of bioenergy facility and certain special districts. Limits energy production for which credits are allowed and total amount of tax credits for any biennium. Directs ODOE to establish pilot program intended to facilitate transition to tax incentives allowed per unit of energy production from current system of incentives allowed per unit of biomass feedstock. Sets pilot program goals. Allows tax credits for energy production as part of pilot program,. Authorizes ODOE to adopt rules establishing eligibility requirements, selection criteria and method for determining credit rates. Authorizes pilot program effective January 1, 2016 and sunsets January 2, 2022. Takes effect on 91st day after date on which 2015 regular session of 78th Legislative Assembly adjourns sine die.

ISSUES DISCUSSED:

- Types of projects that may qualify for pilot program
- Aligns definitions of biomass in statute
- Allows additional entities to participate

EFFECT OF COMMITTEE AMENDMENT:

Restores basis for calculating tax credit for animal manure to wet ton and changes rate to \$3.50 per wet ton beginning tax year 2016. Restricts tax credits for which ODOE may adjust rates; does not allow adjustment for animal manure tax credit. Reduces amount of maximum adjustment from 50 to 25 percent and applies adjustment authority to tax year 2017 and later. Authorizes ODOE to enter into performance agreements with special districts. Adds animal manure to types of biomass that may be used for energy and transportation fuel production and removes requirement that biogas source be material that would otherwise be disposed in landfill for pilot project. Revises factors in eligibility requirements and selection criteria and those used to determine credit rates.

BACKGROUND:

Oregon offers tax credits for the production, collection and transportation of biomass that is used for energy production. To be eligible for this credit, an applicant must be an agricultural producer or biomass collector and the biomass material must be sourced from within Oregon. In addition, the biomass must be used as biofuel or to produce biofuel in Oregon. House Bill 2449A would extend the tax credit for the production or collection of biomass from January 1, 2018 to January 1, 2022.